

Transcript of the video call with the Ambassador of the European Union for the Pacific, His Excellency Sujiro Seam, via videoconference on September 28, 2021

Key excerpts

- Imports from Vanuatu to the EU are slightly less than 1M EUR (937,570 EUR - 2020)
- Key imports are plant products, beauty products, metal products, coconut products, and watches (for 114,000 EUR)
- EU is the 6th export destination of Vanuatu

- Until 2023 Vanuatu is under the “Everything but arms” trade regime which grants access to the EU market with no quota or tariff to Least Developed countries (except for arms)
- Vanuatu already graduated from Least Developed status but it is in a “transitory” status until 2023
- What happens in 2023? There are several options. Discussions are ongoing on the matter. Our favorite option would be an Economic Partnership Agreement such as the ones we already signed with Papua New Guinea, Fiji, Samoa and Solomon Islands. We also exploring such partnerships with Tonga and Timor-Leste.
- These Economic Partnership Agreements grant access to the European Market with no quota or tariff. We also found they help boost local markets and create value chains.
- One example is fish: the EU is the world’s first importer of Pacific fish. A cannery industry is born in Papua New Guinea because of this. We are also engaged in Solomon Islands in developing the same business. We use a technicality, “global sourcing”, which allows for fish from across the world that comes into a country is considered as fish from that country. So that helps boost fish exports to the EU. It’s a growing industry for those countries.
- Should our first option fail, we can adopt another regime, the Generalized System of Preferences, which also aims at developing countries but doesn’t include global sourcing, nor the supporting measures that we would deploy if Vanuatu entered an Economic Partnership Agreement.

- EU Aid follows a financial cycle. In the period 2014-2020 it was the 11th European Development Fund (EDF). Now it’s called Global Europe for 2021-2027 but the principle is the same, it’s programmed for several years.
- From 2014-2020, bilateral aid from the EU to Vanuatu was 25M EUR. It’s close to the biggest envelope in the Pacific, because it’s adjusted with a country’s importance, its population and its development status. Since Vanuatu was a Least Developed Country, its envelope was about the same as Solomon Islands’ which have comparable levels of population and development; it’s more than Fiji where development is more advanced.
- EU Aid in Vanuatu takes the form of budgetary support, which means it goes straight into the public coffers.
- We offer sectoral support and we chose agricultural value chains. We supported the national development strategy for coconuts, beef, fruit and vegetables.

- We also use other instruments for technical cooperation, most notably we support civil society organizations like we do elsewhere in the world. In Vanuatu we focused on post-cyclone relief.
- Besides bilateral help specific to Vanuatu, we have 5 regional aid programs for waste management, maritime cooperation, violence against women, public finances, and regional economic integration. I think the latter will interest you more.
- The regional aid program for regional economic integration amounted to 37M EUR for 2014-2020. It has several components that are assigned to international and regional organizations.
 - 12M EUR goes to the Secretariat of the Pacific Community on sanitary and phytosanitary issues; it's about recognizing safety norms and certifications that are crucial to trade; 12M EUR is budgeted for this.
 - 6 M\$ goes to the Forum of Pacific Islands for supporting trade
 - This Friday I just signed with the United Nations Conference on Trade and Development (UNCTAD) on a trade facilitation programme which is the first of its kind in the Pacific (it already works in other developing regions). It's an automated system, a one-stop shop for border crossing of imports and exports. It allows UNCTAD to deploy technical assistance which is their expertise.
 - Of course we focus these efforts on countries that have signed an Economic Partnership Agreement, but not only. It should be noted that our support for regional economic integration also aims to accompany those countries that have made the political choice to enter an Economic Partnership Agreement with the EU.
 - The fourth component is 8M EUR to support the private sector through the Asian Development Bank.
 - We also have 12 M EUR toward a support programme for micro, small and medium-size businesses, which represent most of the private sector in the region through national development banks.
- While the period is 2014-2020, in practice we still have time to use that budget. But we already made the last disbursement for Vanuatu, so now we are planning the next period, 2021-2027.
- All I can say for now is that we will launch, during the 26th UN Climate Change Conference (November), our BlueGreen Alliance in the Pacific, which is the EU's financial framework for the region. We have decided to focus on three issues: adapting to climate change, sustainable economic development, and human rights, peace and security. That's the general idea but in practice we will have bilateral negotiation with each country on which sectors we focus on.
- We will continue to use sector budget support, which doesn't give us a lot of visibility with concrete projects to inaugurate every day; instead we sign a few large cheques every year in support of national strategies. So the times when we inaugurated schools, boats and bridges is behind us. Even with an important amount of 25M EUR it's difficult to generate visibility around our support to a national development strategy for coconuts, beef, fruit and vegetables.
- So that's it for my PowerPoint presentation. Now I will say a few words on the AUKUS agreement on submarines. You heard the official position of the EU; we take note of that agreement and we deplore the way the agreement was reached while sidelining France. Our position is pretty much aligned to France's.
- While the AUKUS alliance is of military nature and follows a logic of confrontation with China, in the meantime the EU has announced its Indo-Pacific Cooperation Strategy. It

shows we have ambitions in the region; it is the first time we have a strategy for Indo-Pacific. It also shows we follow a logic of cooperation and not confrontation.

- We are in a situation of systemic rivalry with China; we have different systems of governance, systems of values, ways of thinking, approaches to foreign relations, etc. But in the same time we are also in a situation of strategic cooperation. On certain issues we need China and China needs us, and we have converging interests, for example on climate, biodiversity. In matters of research and technology, we are both competitors and sometimes partners. So we are not in a logic of confrontation like AUKUS.
- Our Indo-Pacific Cooperation Strategy covers 7 areas:
 - Prosperity,
 - The green transition,
 - The oceans; there are many island countries in the region,
 - Digital,
 - Connectivity (cables, routes, energy networks),
 - Defense and security. We have a know-how on defense and security. We know that the main threat to Indo-Pacific countries is climate change and we can help on that matter. We will also offer cooperation on maritime security with intelligence and fighting illegal fishing. Also there is the issue of relief during crises. The EU has expertise and legitimacy in these matters.
 - Health: Covid mostly. We do two things:
 - We offer vaccines but we don't give AstraZenecas we don't want like the Australians do, we rely on COVAX and the EU is one of the main donors to COVAX with 2.7B EUR between the Union and its members, we distributed 311M vaccines, part of which goes to the Pacific. But there is a ceiling to COVAX by population. We have brought 2 shipments of 24,000 doses in May and last week. Very often the vaccines that come from aboard are made in the EU. We haven't hoarded vaccines for ourselves. One of two vaccines made in the EU has been exported. The vaccines that New Zealand recently donated to Fiji were made in Spain and their export was facilitated by the EU.
 - We signed an agreement with WHO, the Secretariat of the Pacific Community, and the World Food Programme that are the leading organizations for Covid response in the Pacific, along with UNICEF too. We have been able to give testing equipment and consumables to Vanuatu, as well as PPE and other necessities following the needs expressed by country leaders. In all we budgeted 22M EUR for Covid response since the beginning of the crisis, it's being disbursed progressively. Even if we can't offer vaccines other than through COVAX, we can help reinforce health systems.
- The EU list of non-cooperative jurisdictions for tax purposes is too often called the "tax haven blacklist" but neither of these terms appear anywhere in the decisions of the Council that enacts those lists.
- These lists are enacted by the council, they are decided by our member states. The European Commission is charged with investigating each case.
- The Vanuatu is on the non-cooperative list for two reasons:
 - It was only deemed "partially compliant" by the EOCED; it is a reason that has been identified and accepted by Vanuatu authorities and they have made a commitment to address it.

- The other issue is the reality of commercial activities of offshore structures. Again, in our technical and political dialogue with Vanuatu authorities, there was no protest on their part, they recognize that there is a problem and they have made a commitment to work with us to overcome these difficulties, including by receiving technical support from the EU and exchanging with the relevant services of the European Commission.
- As for the AML-CFT list, the issues are also recognized by Vanuatu, there is no challenge by the authorities of Vanuatu regarding the justification of placing Vanuatu on EU lists.
 - The issue of beneficial ownership of a number of structures such as foundations and trusts: it has to do with the perimeter of these structures, the knowledge of these structures, we need a mapping of these structures; and also it has to do with sanctions in case of violation of the rules. In this case too, a dialogue was initiated on a technical level with the relevant general direction of the European commission. We also looked at the issue during the latest high-level political talks with Vanuatu on April 21, and we mutually committed to do our best to address that issue.
- The position of the EU is founded on principles of transparency, non-competition and good governance, and the dialogue we initiated with the government of Vanuatu is constructive.
- Another sensible issue is the passports; the CIP scheme. During our latest high-level political talks on April 21, the EU shared its concerns with the government of Vanuatu regarding several aspects of the scheme. We stressed that Vanuatu could not circumvent EU rules regarding [interrupted]
- How could we foster larger investments, notably from European operators? There is no singularity in Vanuatu, all Pacific nations face the same difficulties when it comes to the ambition we have as European diplomats to foster business relations between European exporters and buyers; our role is to ensure the general framework is conducive to a good business environment. So that means political stability, transparent and cost-effective rules for capital movements.
- Being placed on one of EU lists does not inspire a lot of enthusiasm among potential European investors and that's why we are working on addressing these issues as quickly and efficiently as possible.
- When I look at the current political climate, relative stability was a bit more reassuring under PM Salwai than the developments of these past months. Political risk is not conducive to attracting foreign investors.
- The key is capacity to generate profits. So we must identify sectors where there are opportunities. There are no immediate answers. Either in Papua New Guinea or the Solomon Islands, we see that the European investors that are interested in those countries are mostly active in seafood products, or niche agricultural products. But the logistical cost of exporting to Europe is bigger than in other regions. In Pacific nations, unfortunately, even if Vanuatu is relatively large, we'll always face the obstacles of market tightness, remoteness, logistical costs.
- That explains why the European business community is not as large as in other regions. We try to help grow it through our diplomatic mission, as well as those of member states since every company is related to a specific country. There are not many European companies per se, except maybe for Airbus. In my role I try to help Airbus efforts in the region, with more or less success. Even when we successfully sell airplanes – and Vanuatu is a good example – the trade can run into difficulties with

payments and deliveries. Besides that, if we can help European entrepreneurs to start operations in the region whenever we can. Feel free to reach out.

[Q&A]

- I don't have figures on which part of the 12M EUR programme for small businesses is spent in Vanuatu. We may have more details from the Asian Development Bank at the end of the project, however it's not a priority for us to know how much is spent in each country. What we want is for the system to work on a regional level. The only regional programme for which we have predetermined budget allocations by country is the one regarding violence against women, where three countries have been selected as pilot projects: Vanuatu, Solomon Islands, Papua New Guinea. Otherwise, there is no predetermined allocation by country for any of the programmes I have mentioned. I'm sorry if you are disappointed, but it is what is, we won't be able to give figures before deploying the capital.
- [About Vanuatu being the black sheep] Vanuatu is not alone in the Pacific among non-cooperative jurisdictions for tax purposes. There's Fiji, Samoa and Palau too. The EU employs the same approach for all four; we keep on collaborating with them. You speak of sanctions, but if we really wanted to sanction, we would have cut funding and stopped disbursing the 25M EUR. We didn't do that. So there's clearly a separation between the development aid to the population of Vanuatu and our dialogue on good governance, fiscal and financial policies, AML-CFT. So there is no sanction on the EU level. It's not because a country is on the list that we stop aiding it.
- In these four Pacific countries, we've entered into a technical and political dialogue to agree on the issues and identify the solutions, and we'll keep moving in that directions. It's not really motivating for a European operator to invest in a country that is placed on a EU list, so we must fix these issues as soon as possible.
- Budgetary support has its limits, but if it wasn't for it we would be supporting projects. With budgetary support we directly give funds to the government who uses it according to its rules and the objectives we agreed on, with a fixed portion and an incentive portion. This allows us to incite the government to reach objectives we agreed upon. We also have criteria for good governance, mechanisms against corruption, etc. If these criteria are not satisfied, as is the case in certain countries, then we do not opt for budgetary support. But in Vanuatu we still trust the system's ability to properly withdraw the funds.
- You say you don't see results; it's not surprising, as we support a national strategy and the performance indicators are not how many cows we bought or how many coconuts we produced, but did we contribute to the implementation of the national strategy? That's the logic of the budgetary support by sector. It's not as easy to quantify as when you build a bridge, an airport, a school.
- I don't think budgetary support feeds European consultants. Most consultants in the region are Australian or New Zealander. EU Aid does not aim to feed Australian or New Zealander consultant for the implementation of credits that were offered by European taxpayers.
- If we didn't offer budgetary support, we would support projects instead. The management cost would be much higher; we are about 70 in my delegation today and we cover 13 countries. If we did project support, we and the French embassy in Vanuatu would need to hire more people to monitor implementation, with a technical expertise that I don't have at the moment.

- Supporting a country through budgetary support is showing trust in the country's ability to put the funds to good use. As I said, we agree with performance indicators and there is an incentive part. To this day, I don't know any Pacific country where we retained part of the budgetary support because results weren't achieved. Because there's always a good reason to give the incentive portion.
- The good reason for Vanuatu and others in the Pacific during 2014-2020 was of course Covid. Among our response efforts we chose to always disburse the incentive portion of budgetary portion, and even to accelerate them. So we disbursed all of the funds.
- We know it's used by the government, and there will be an audit as always. But it's difficult to say exactly how much actual beneficiaries has received. It's the same in Fiji: we offer budgetary support to the national strategy for rural development, and regularly the minister of agriculture asks me "Where is the money? I don't see it." The money goes in the public coffers and enters the general budget. That's the concept of budgetary support. In the end we sit together and look at the KPIs but there's always a good reason to be flexible on our part. Generally we consider that budgetary support in Vanuatu has been positive in the current context.
- This is not a plea for budgetary support. It's just that we find that in the Pacific, with the Covid crisis we see more and more partners increasingly opting for budgetary support: Australia does it more, New Zealand does it more, the World Bank does it more. So we're not alone in choosing that system. It's the one that responds the least badly to the challenges of Covid. Seeing other partners opting for this mode of response shows that it's not such a bad idea in the current context.
- [Interlocutors for the EU list issue?] We discuss with the Ministry of finance and economy. During the latest high-level talks we were at the level of general director, UI have the name but I won't share it with you. On the European side the interlocutors are the relevant general directions, but, again, I won't share with you the names of my colleagues.
- [Next steps for the EU lists?] These are intergovernmental discussions, they shouldn't be aired in public.
- [Why still on AML-CFT list?] I will repeat, we have entered a dialogue on a technical level with the relevant people: Ministry of finance and economy in Vanuatu, and DG FISMA at the European Commission. Our latest exchange was in March so it is indeed moving very slow. However, Vanuatu knows the formula to get off the list; it has committed to propose certain changes in the legislation, and to submit them to the EU to make sure it is compliant and doesn't enact legislation that would allow it to get off the list from its point of view but not from ours. So we are in a dialogue. I would also like this issue to move a bit faster, but in the Pacific we have slow relationships.
- Unfortunately, for the non-cooperative jurisdiction list, Vanuatu has missed the next deadline. The list is reviewed twice a year with a decision process at the Council in February and October. For October it is too late. The next step is February, so if you want deadlines and push the authorities to go faster and meet these deadlines, then there should be progress to allow us to propose the withdrawal of Vanuatu from the list of non-cooperative jurisdictions leading to a decision of the Council in February 2022.
- Regarding the AML-CFT list, the commitments of Vanuatu during the latest high-level talks were to send us a proposal by the end of September. Back in April we chose to allow them some time because they were faced with other priorities with Covid. So we

decided on a September deadline. The end of September is the day after tomorrow, so if we don't receive anything tomorrow, Vanuatu will miss yet another deadline.

- As a former French diplomat – I am a colleague of Mr Fournier – I know processes can be slow, but at the European level they're even slower since we have to agree between 27 member states. So I can't promise you we will solve this issue swiftly. On the other hand, Vanuatu is not in a hurry either. Since the non-cooperative jurisdiction list exists, two Pacific countries have been removed, so it shows it's possible. For the four remaining countries, we have entered a dialogue but it takes time. With Samoa, Fiji and Palau it's not going any faster if that's any consolation.